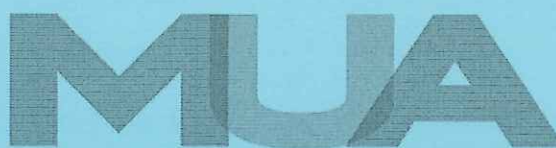


The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

BML 307 : RISK AND INSURANCE MANAGEMENT

DATE: 11TH DECEMBER 2017

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

TORNADO RISK

March 2000 at 5.30 P.M a tornado hit several major buildings in downtown Fort Worth Texas. Among the buildings damaged by the windstorm was a tall glass tower that a large bank had leased mostly for administrative offices for its 600 employees, but also had public banking facilities on the lower floors. Because the tornado hit just after the end of the work day, there was no loss of life, but property damage to the building and its contents was extensive. Because the bank did not own the building, the bank had to arrange for access to the property after the loss through the building's owners. More over the city of Fort Worth's building inspector declared the building to be imminently dangerous .After the building was labeled imminently dangerous, the bank's officers and employees had no access to the building for over a week. During this week wind and rain caused further damage to the furniture equipment and valuable papers.

The banks risk manager had made prior arrangement with a disaster recovery facility in a remote location that allowed the bank to use the emergency facility's computers, phones, and fax machines after a disaster. This facility provided work space for about one third of the banks critical personnel. The banks risk manager also made arrangements for a shuttle bus service between the loss location and office space available in nearby Dallas. Texas Employees were not able to retrieve critical papers from the loss site until two weeks after the tornado struck by which time the glass windows in the tower had been replaced or boarded over with plywood.

Required:

- a) Define risk and discuss why we must study the concept of risk and how it impacts on individuals and business. (4 marks)

- b) Examine the characteristics of an insurable risk and explain what must be considered when insuring risks. (6 marks)
- c) Discuss the classifications of risk giving examples of each type and how they may be treated for insurance purposes (10 marks)
- d) Discuss the various ways of measuring risk in an organization (5 marks)

QUESTION TWO

- a) A risk manager perceives the following risks exist in an organization fire, accidents, loss of cash, strikes, and chemical hazards. Prepare a risk management program to manage these risks and their operative causes (9 marks)
- b) Risk management is not aimed at avoiding risks. Discuss the benefits of life insurance (6 marks)

QUESTION THREE

- a) Some organizations resort to using captive insurance companies to manage their insurance needs. Discuss advantages of a captive insurance. (10marks)
- b) You have been hired as a project manager by a manufacturing company based in Nakuru. Describe five risk management activities that you would be expected to undertake. (5 marks)

QUESTION FOUR

- a) Explain giving examples how a policy system operates and give FOUR advantages of a risk management policy system (7 mark)
- b) Calculate the contribution if a property is insured with a company A and B for ksh. 9000 and 2000 respectively and the value of the property is ksh. 9000. In the event of a loss of ksh. 900 with both parties subject to average (8 marks)

QUESTION FIVE

Jisaidie is a fast growing village microfinance which is engaged in financial business in Nyandarua County and has managed to expand its branches to

twenty in the last five years. They want to streamline their risk department. You have been approached to advice as an expert on the ways of identifying the risk exposures of the farm. (15marks)

QUESTION SIX

- a) Explain the scope of marine insurance and also give the general exclusion of marine policy (7 marks)
- b) Discuss the benefits of insurance to business in Kenya (8 marks)